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**NEW ORLEANS BUILDING CORPORATION**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/22/07

# New Orleans Building Corporation

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**CURTIS A. MORET**  
CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 531741  
NEW ORLEANS, LOUISIANA 70153-1741  
OFFICE (504) 246-6446 • FAX (504) 246-0129

### Independent Auditor's Report

To the Board of Directors  
of New Orleans Building Corporation  
New Orleans, Louisiana

We have audited the financial statements of New Orleans Building Corporation, as of and for the year ended December 31, 2006 as listed in the table of contents. These financial statements are the responsibility of New Orleans Building Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of New Orleans Building Corporation as of December 31, 2006, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2007, on our consideration of New Orleans Building Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of New Orleans Building Corporation taken as a whole. The supplementary information shown at page 15 is presented for purposes of additional analysis and is not a required part of the financial statements of New Orleans Building Corporation. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Curtis A. Moret*

Curtis A. Moret  
Certified Public Accountant  
August 9, 2007



**New Orleans Building Corporation (NOBC)  
Management's Discussion and Analysis**

Introduction to Financial Statements

The NOBC is considered a governmental not-for-profit entity. Under GASB 34, the NOBC is permitted to report its activities as a special-purpose government entity engaged only in business type activities. Therefore, the NOBC's financial statements consist of those required for enterprise funds.

Enterprise funds are used by governmental entities to report the same functions as business-type activities in the private sector. The financial reporting required for enterprises funds are: statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows. These statements, presented on pages 6 through 9, show the results of operations and financial position using the total economic resources measurement focus and the accrual basis of accounting, which emphasize the long-term financial picture and are very similar to the financial statements of private-sector for-profit enterprises.

Comparative Financial Statements

The following chart provides condensed information from the statement of net assets for 2006 and 2005.

Statement of Net Assets Comparative Data

	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$7,976,594	8,334,356
Capital Assets, Net	<u>6,679,926</u>	<u>6,759,974</u>
Total Assets	<u>14,656,520</u>	<u>15,094,330</u>
Long Term Liabilities	944,119	944,119
Other Liabilities	<u>233,642</u>	<u>377,166</u>
Total Liabilities	<u>1,177,761</u>	<u>1,321,285</u>
Net Assets:		
Invested in Capital Assets	6,679,926	6,759,974
Restricted	6,300,598	6,426,617
Unrestricted	<u>498,235</u>	<u>586,454</u>
Total Net Assets	<u>\$13,478,759</u>	<u>\$13,773,045</u>

The largest portion of the NOBC's net assets (98%) at December 31, 2006 consists of its investments in capital assets (Land, Building, Equipment & Improvements) and restricted cash and other assets relating to its operation of the New Orleans Union Passenger Terminal (NOUPT) (see Note 1 at Page 11). Overall, the NOBC's net assets decreased by \$294,286 from the previous year.

**New Orleans Building Corporation (NOBC)  
Management's Discussion and Analysis**

Statement of Net Assets Comparative Data, continued

The following chart provides condensed information from the statement of revenues, expenses and changes in net assets for 2006 and 2005:

Statement of Revenues, Expenses and Changes in Net Assets Comparative Data

	<u>2006</u>	<u>2005</u>
Revenues:		
Program	1,478,570	1,660,835
General	260,183	417,865
Total Revenues	<u>1,738,753</u>	<u>2,078,700</u>
Expenses:		
NOUPT	2,084,839	1,719,914
Lincoln Beach	17,692	44,602
Administration	114,936	113,160
Total Expenses	<u>2,217,467</u>	<u>1,877,676</u>
Change in Net Assets	(478,714)	201,024
Net Assets – January 1	13,773,045	13,572,021
Prior Period Adjustment	184,428	-
Net Assets – December 31	<u>\$13,478,759</u>	<u>\$13,773,045</u>

Total revenues decreased from the previous year by \$339,947. Program revenues decreased by 11% due primarily to the loss of rental income associated with the effects of Hurricane Katrina. General revenues experienced a 38% decrease. Total expenses increased by \$339,791 due largely to increased utilities costs and other costs associated with the operation of the NOUPT facility.

Budgetary Analysis

The NOBC's 2006 budget reported on page 15 reflects an overall unfavorable variance of \$(125,140).

**New Orleans Building Corporation (NOBC)**  
**Management's Discussion and Analysis**

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Capital Assets

The NOBC reported capital assets at 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Land	2,946,586	2,946,586
Building & Equipment	2,812,905	2,868,560
Building Improvements	<u>920,435</u>	<u>944,828</u>
Totals	<u>6,679,926</u>	<u>6,759,974</u>

The NOBC's capital assets presented above are net of accumulated depreciation. Total net capital assets decreased by \$80,048 from the prior year.

Sean B. Cummings  
Executive Director  
New Orleans Building Corporation  
2 Canal Street, Suite 1843  
New Orleans, Louisiana 70130  
(504) 619-9850

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 139,622	\$ 101,016	\$ 122,601	\$ 363,239
Receivables, Net	220,037	59,620	12,837	292,494
Prepaid Insurance	131,751	-	-	131,751
Total Current Assets	<u>491,410</u>	<u>160,636</u>	<u>135,438</u>	<u>787,484</u>
Noncurrent assets:				
Restricted Cash and Cash Equivalents	4,603,630	-	-	4,603,630
Prepaid Environmental Insurance	1,696,968	-	-	1,696,968
Developmental Costs	-	-	888,512	
Capital Assets:				
Land	2,946,586	-	-	2,946,586
Building & Equipment	19,056,612	-	49,975	19,106,587
Building Improvements	970,115	-	-	970,115
Less Accumulated Depreciation	(16,299,025)	-	(44,337)	(16,343,362)
Total Noncurrent Assets	<u>12,974,886</u>	<u>-</u>	<u>894,150</u>	<u>13,869,036</u>
Total Assets	<u>13,466,296</u>	<u>160,636</u>	<u>1,029,588</u>	<u>14,656,520</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	31,606	-	174,464	206,070
Accrued Liabilities	27,572	-	-	27,572
Total Current Liabilities	<u>59,178</u>	<u>-</u>	<u>174,464</u>	<u>233,642</u>
Noncurrent Liabilities:				
Developmental Costs Payable	-	-	803,485	803,485
Accounts Payable	140,634	-	-	140,634
Total Noncurrent Liabilities	<u>140,634</u>	<u>-</u>	<u>803,485</u>	<u>944,119</u>
Total Liabilities	<u>199,812</u>	<u>-</u>	<u>977,949</u>	<u>1,177,761</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	6,674,288	-	5,638	6,679,926
Restricted	6,300,598	-	-	6,300,598
Unrestricted	291,598	160,636	46,001	498,235
Total Net Assets	<u>\$ 13,266,484</u>	<u>\$ 160,636</u>	<u>\$ 51,639</u>	<u>\$ 13,478,759</u>

The accompanying notes are an integral part of the financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Enterprise Funds			Total
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ -	\$ -	\$ 25,000	\$ 25,000
Rent-Tenants	1,453,570	-	-	1,453,570
Miscellaneous	54,876	-	6,772	61,648
<b>Total Operating Revenues</b>	<b>1,508,446</b>	<b>-</b>	<b>31,772</b>	<b>1,540,218</b>
<b>OPERATING EXPENSES</b>				
Contractual Services	606,890	16,868	101,496	725,254
Repairs & Maintenance	308,546	540	535	309,621
Insurance	607,968	-	-	607,968
Utilities	418,579	-	-	418,579
Office Supplies and Expenses	24,417	284	5,687	30,388
Environmental Clean-up	24,949	-	-	24,949
Depreciation	77,924	-	7,218	85,142
Retirement Benefits	15,566	-	-	15,566
<b>Total Operating Expenses</b>	<b>2,084,839</b>	<b>17,692</b>	<b>114,936</b>	<b>2,217,467</b>
<b>Operating Income (Loss)</b>	<b>(576,393)</b>	<b>(17,692)</b>	<b>(83,164)</b>	<b>(677,249)</b>
<b>NONOPERATING REVENUES</b>				
Net Investment Income	187,785	-	10,750	198,535
<b>Change in Net Assets</b>	<b>(388,608)</b>	<b>(17,692)</b>	<b>(72,414)</b>	<b>(478,714)</b>
<b>Total Net Assets - Beginning</b>	<b>13,470,664</b>	<b>126,430</b>	<b>175,951</b>	<b>13,773,045</b>
<b>Prior Period Adjustment</b>	<b>184,428</b>	<b>51,898</b>	<b>(51,898)</b>	<b>184,428</b>
<b>Total Net Assets - Ending</b>	<b>\$ 13,266,484</b>	<b>\$ 160,636</b>	<b>\$ 51,639</b>	<b>\$ 13,478,759</b>

The accompanying notes are an integral part of the financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR END DECEMBER 31, 2006**

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ -	\$ 30,000	\$ 37,470	\$ 67,470
Rents Received	1,474,856	-	-	1,474,856
Payments to Suppliers	(1,719,152)	(17,692)	(119,170)	(1,856,014)
Other Receipts (Payments)	54,876	29,398	6,772	91,046
Net Cash Provided (Used) by Operating Activities	(189,420)	41,706	(74,928)	(222,642)
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>				
Capital Improvements	-	-	(5,094)	(5,094)
Net Cash Used by Capital Activities	-	-	(5,094)	(5,094)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	187,785	-	9,650	197,435
Net Cash Provided by Financing Activities	187,785	-	9,650	197,435
Net Increase (Decrease) in Cash and Cash Equivalents	(1,635)	41,706	(70,372)	(30,301)
Cash - Beginning of Year	4,744,887	59,310	192,973	4,997,170
Cash - End of Year	4,743,252	101,016	122,601	4,966,869
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	(576,393)	(17,692)	(83,164)	(677,249)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	77,924	-	7,218	85,142

The accompanying notes are an integral part of the financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR END DECEMBER 31, 2006**

	Enterprise Funds			
	New Orleans			
	Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES, CONTINUED:</b>				
Change in Assets and Liabilities:				
Receivables	23,340	59,398	(48,633)	34,105
Prepaid Expenses	294,456	-	-	294,456
Accounts Payable	68,235	-	49,651	117,886
Accrued Expenses	(76,982)	-	-	(76,982)
 Net Cash Provided (Used) by Operating Activities	 <u>(189,420)</u>	 <u>41,706</u>	 <u>(74,928)</u>	 <u>(222,642)</u>

The accompanying notes are an integral part of the financial statements.

**New Orleans Building Corporation**  
Notes to Financial Statements

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**New Orleans Building Corporation**  
Notes to the Financial Statements

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**Note 1- Summary of Significant Accounting Policies:**

Background

The New Orleans Building Corporation (NOBC) is a non-profit, public benefit corporation, incorporated in the state of Louisiana on May 4, 2000. The Corporation was formed for the purpose of owning, leasing, developing and operating properties owned by the City of New Orleans or by the Corporation. These purposes include, but are not limited to planning, renovating, constructing, leasing, subleasing, managing and promoting such properties, which activity is declared to constitute a public purpose.

On May 25, 2002, the New Orleans Building Corporation assumed control of the New Orleans Union Passenger Terminal (NOUPT) located in downtown New Orleans. The NOUPT was created by the State of Louisiana to enable the City of New Orleans to form a unique partnership with private railroads to finance, build and operate the facility. The City acquired the sixty-acre downtown site and transferred use of it to the NOUPT until 2005 with an option to extend for another 50 years. With this arrangement in place, the railroads provided revenue bond financing for construction of a \$21-million terminal and support facility on the downtown site. The NOUPT began service in 1954, consolidating 30 weekly train arrivals and departures at five, widely scattered stations into the new downtown terminal. The City also granted the NOUPT the use of six miles of grade separated right-of way created by city, state, federal and private railroad funding, in excess of \$19 million, to eliminate time consuming and hazardous grade-crossings over the tracks servicing the NOUPT. In 1977, the City and private railroads transferred passenger rail operating responsibility of the NOUPT to the National Railroad Passenger Corporation-Amtrak. The City continued other aspects of its partnership agreement with the private railroads constituting the NOUPT prior to Amtrak's assumption of national passenger service from these railroads in the 1970's. The result was a unique governing body for the NOUPT consisting of a committee composed of representatives of the City, Public Belt Railroad Commission, Amtrak and several railroads.

The accounting policies of the NOBC conform to accounting principles generally accepted in the United States of America, as applicable to governmental agencies. The following is a summary of the more significant accounting policies:

The Financial Reporting Entity

Governmental Accounting Standard's Board Statement No. 14, The Financial Reporting Entity, (GASB 14) established standards for defining and reporting

**New Orleans Building Corporation**  
Notes to the Financial Statements

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**Note 1- Summary of Significant Accounting Policies, continued:**

The Financial Reporting Entity, continued

on the financial entity. Accordingly, management has concluded that the NOBC is the financial reporting entity within the meaning of the provisions of GASB 14.

Basic Financial Statements – Fund Financial Statements

The financial statements of the NOBC are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenses. All of the activities of the NOBC are reported as proprietary funds.

The focus of proprietary fund measurement is upon determination of operating income, change in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the NOBC.:

- a. Enterprise funds are required to be used to account for operating for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focal applied.

The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**New Orleans Building Corporation**  
Notes to the Financial Statements

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**Note 1- Summary of Significant Accounting Policies, continued:**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**Note 2- Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand; amounts in demand deposit accounts as well as short-term cash investments with maturities of three months or less.

Restricted cash and cash equivalents presented in the Statement of Net Assets is restricted solely for the use of environmental clean-up and related facility maintenance at the New Orleans Union Passenger Terminal located in downtown New Orleans. These funds were placed in trust when the NOBC assumed control of the facility on May 22, 2002.

**Note 3- Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 Years
Building Improvements	20-40 Years
Equipment	7-10 Years

The following is a summary of capital assets for the year ended December 31, 2006:

**New Orleans Building Corporation**  
Notes to the Financial Statements

**Note 3- Capital Assets, continued**

	Balance January 1, 2006	Additions	Changes	Balance December 31, 2006
Land	\$ 2,946,586	-	-	\$ 2,946,586
Building & Equipment	19,046,612	-	-	19,046,612
Building Improvements	970,115	-	-	970,115
Office Equipment	54,881	5,094	-	59,975
Sub-total	23,018,194	5,094	-	23,023,288
Less Accumulated Depreciation	(16,258,220)	(85,142)	-	(16,343,362)
Net	<u>\$ 6,759,974</u>	<u>(80,048)</u>	<u>-</u>	<u>\$ 6,679,926</u>

An analysis of changes in accumulated depreciation by asset classification for the year ended December 31, 2006 is as follows:

	Balance January 1, 2006	Addition	Balance December 31, 2006
Building & Equipment	\$16,190,814	52,102	\$16,242,916
Building Improvements	25,287	24,393	49,680
Office Equipment	42,119	8,647	50,766
	<u>16,258,220</u>	<u>85,142</u>	<u>16,343,362</u>

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS- BUDGET AND**  
**ACTUAL GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Charges for Services	25,000	25,000	25,000	-
Rents	1,556,843	1,556,843	1,453,570	(103,273)
Other	43,385	43,385	61,648	18,263
Interest	-	-	198,535	198,535
	<u>1,625,228</u>	<u>1,625,228</u>	<u>1,738,753</u>	<u>113,525</u>
				-
<b><u>Expenses</u></b>				
Contractual Services	890,674	890,674	725,254	165,420
Repairs & Maintenance	448,050	448,050	309,621	138,429
Insurance	291,050	291,050	607,968	(316,918)
Utilities	294,000	294,000	418,579	(124,579)
Office Supplies & Expenses	27,028	27,028	30,388	(3,360)
Environmental Clean-up	21,000	21,000	24,949	(3,949)
Depreciation	7,000	7,000	85,142	(78,142)
Retirement Benefits	-	-	15,566	(15,566)
	<u>1,978,802</u>	<u>1,978,802</u>	<u>2,217,467</u>	<u>(238,665)</u>
Excess (deficiency) of Revenues over (under) Expenditures	(353,574)	(353,574)	(478,714)	(125,140)
Fund Balance - Beginning	13,166,180	13,166,180	13,773,045	(478,714)
Prior Period Adjustment	-	-	184,428	-
Fund Balance - Ending	<u>12,812,606</u>	<u>12,812,606</u>	<u>13,478,759</u>	<u>(603,854)</u>

Schedule 1



**CURTIS A. MORET**  
CERTIFIED PUBLIC ACCOUNTANT

P.O. BOX 531741  
NEW ORLEANS, LOUISIANA 70153-1741  
OFFICE (504) 246-6446 • FAX (504) 246-0129

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Directors  
of New Orleans Building Corporation  
New Orleans, Louisiana

We have audited the financial statements of New Orleans Building Corporation as of and for the year ended December 31, 2006, which collectively comprise the New Orleans Building Corporation's basic financial statements and have issued our report dated August 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans Building Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be a material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans Building Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Curtis A. Moret*

Curtis A. Moret  
Certified Public Accountant  
August 9, 2007

A stylized, circular logo containing the letters 'C' and 'M' intertwined, representing the initials of Curtis A. Moret.